

CITY OF PINEVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

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ROZIER, HARRINGTON & MCKAY

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December 14, 2012

Independent Auditors' Report

To the Honorable Mayor and Board of Aldermen
City of Pineville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pineville, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pineville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pineville, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the required supplemental information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pineville's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of

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expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of states, Local governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respected in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2012, on our consideration of the City of Pineville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

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December 14, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor
and the Board of Aldermen
City of Pineville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pineville, as of and for the year ended June 30 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Pineville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal, course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Pineville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

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audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink, reading "Rozier, Harrington & McKay". The signature is stylized and includes a large, sweeping flourish at the end.

ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

City Of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

This section of the City of Pineville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2012.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after July 1, 1980) and all of the City's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, fines and forfeitures, and intergovernmental sources.
- **Business-Type Activities** – Expenses associated with providing utility and sanitation services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the City as a whole. Funds are accounting devices that are used to account for specific sources of funds. The City has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the City's utility and sanitation services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A comparative analysis of government-wide financial data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

	For the Year Ended June 30, 2012			For the Year Ended June 30, 2011
	Govern- mental Activities	Business- Type Activities	Total	
Assets:				
Current and Other Assets	\$ 6,968,099	\$ 7,970,317	\$ 14,938,416	\$ 15,052,960
Internal Balances	3,075,593	(3,075,593)	----	----
Capital Assets	27,591,144	31,333,546	58,924,690	57,337,594
Total Assets	37,634,836	36,228,270	73,863,106	72,390,554
Liabilities:				
Current and Other Liabilities	6,227,374	1,977,368	8,204,742	6,366,547
Long-term Liabilities	375,000	5,950,792	6,325,792	5,781,570
Total Liabilities	6,602,374	7,928,160	14,530,534	12,148,117
Net Assets:				
Invested in Capital Assets (Net)	27,186,144	25,382,754	52,568,898	51,526,024
Restricted	7,257,701	1,620,424	8,878,125	9,464,824
Unrestricted	(3,411,383)	1,296,932	(2,114,451)	(684,686)
Total Net Assets	\$ 31,032,462	\$ 28,300,110	\$ 59,332,572	\$ 60,242,437

As the presentation appearing above demonstrates, the largest portion of the City's net assets (88.6%) is invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remain outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

The remaining net assets represent resources that are subject to restrictions that are imposed by agreements with the City's bondholders or requirements imposed by various revenue sources.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

	For the Year Ended June 30, 2012			For the Year Ended June 30, 2011
	Govern- mental Activities	Business- Type Activities	Total	
Revenues:				
Program Revenue:				
Charges for Services	\$ 815,643	\$ 6,060,781	\$ 6,876,424	\$ 6,710,805
Operating Grants and Contributions	1,168,561	----	1,168,561	1,125,315
Capital Grants and Contributions	1,409,649	52,865	1,462,514	3,876,072
General Revenue:				
Property Taxes	1,239,036	----	1,239,036	1,227,124
Sales Taxes	10,587,210	----	10,587,210	10,252,338
Franchise Fees	952,244	----	952,244	1,015,466
Occupational Licenses	588,616	----	588,616	609,765
Intergovernmental	317,457	----	317,457	227,256
Other	54,354	4,929	59,283	75,841
Total Revenue	17,132,770	6,118,575	23,251,345	25,119,982
Program Expenses:				
General Government	2,130,986	----	2,130,986	2,161,361
Public Safety				
Police Department	5,834,578	----	5,834,578	5,534,813
Fire Department	4,523,729	----	4,523,729	4,418,977
Public Works	3,591,341	----	3,591,341	3,190,309
Health & Welfare	193,851	----	193,851	171,461
Economic Development	----	----	----	126,322
Culture and Recreation	1,441,119	----	1,441,119	1,168,067
Utility Service	----	4,843,569	4,843,569	4,600,382
Sanitation	----	1,479,563	1,479,563	1,478,652
Other	26,322	96,152	122,474	89,900
Total Expenses	17,741,926	6,419,284	24,161,210	22,940,244
Increase in Net Assets Before Transfers and Special Items	(609,156)	(300,709)	(909,865)	2,179,738
Transfers	469,565	(469,565)	----	----
Change in Net Assets	(139,591)	(770,274)	(909,865)	2,179,738
Net Assets Beginning	31,172,053	29,070,384	60,242,437	58,062,699
Net Assets Ending	\$ 31,032,462	\$ 28,300,110	\$ 59,332,572	\$ 60,242,437

Governmental activities decreased the City's net assets by \$139,591. The decrease is primarily due cost associated with providing post retirement healthcare benefits to current and former employees. The amount of the decrease was nearly offset by the receipt of grant funds for construction activities and transfers from business type funds.

Business-type activities decreased the City's net assets by \$469,565, due primarily to transferring cash flow in excess of current needs to the general fund.

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

An analysis of significant matters affecting the City's funds is presented as follows:

- The City's governmental funds reported combined fund balances of \$8,570,029 which represents a decrease of \$529,026 in comparison to the previous balance. The decrease is attributable to contribution rates for plans that provide retirement benefits for City employees and other factors resulting in increased costs. Major increases in these contribution rates have made it necessary for the City to use a portion of its reserves.
- The City's general fund, which is available for spending at the City's discretion, reported a fund balance of \$2,355,766. The general fund balance decreased by \$1,312,328, which is attributable to the reasons described above.
- Amounts reported for business-type activities in the City's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

The City's general fund and sales tax funds are required to adopt an annual budget and the budgets are amended as necessary. Some revisions to the original budgets were made to address minor variances from original expectations.

CAPITAL ASSET ADMINISTRATION

Highlights of the City's capital asset administration are provided as follows:

- Equipment purchases including new vehicles necessary to replace existing equipment that were retired as a result of ordinary wear.
- The City's has began a program of improvements to the utility system including sewer pump stations, refurbishing manholes and sludge processing equipment.
- Grant funds have been used to conduct extensive street improvements.

DEBT ADMINISTRATION

In addition to paying installments due on existing obligations, the City also issued Utility Revenue Bonds, Series 2010. The Series 2010 Bond Issue, will provide \$4,500,000 in proceeds to finance improvements to the City's utility system. During the year ended June 30, 2012, the City collected \$1,086,870 in proceeds from the Series 2010 Bond Issue.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

At the present time, no events or conditions have been identified that are expected to have a significant influence on future operations.

City of Pineville

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,377,181	\$ 4,900,812	\$ 10,277,993
Receivables (net)	1,572,654	885,254	2,457,908
Restricted asset			
Cash	-	2,131,386	2,131,386
Receivables	-	52,865	52,865
Other assets	18,264	-	18,264
Internal balances	3,075,593	(3,075,593)	-
Capital assets			
Non depreciable capital assets	4,073,182	1,539,888	5,613,070
Depreciable capital assets, net	23,517,962	29,793,658	53,311,620
Total assets	<u>37,634,836</u>	<u>36,228,270</u>	<u>73,863,106</u>
<u>LIABILITIES</u>			
Accounts and other payables	1,473,663	254,618	1,728,281
Accrued interest	8,381	-	8,381
Accrued interest payable from restricted assets	-	38,827	38,827
Deposits due others	-	403,771	403,771
Compensated Absences	1,012,776	52,604	1,065,380
Net Other Post Employment Benefits	3,702,554	702,548	4,405,102
Long-term liabilities			
Due within one year	30,000	525,000	555,000
Due in more than one year	375,000	5,950,792	6,325,792
Total liabilities	<u>6,602,374</u>	<u>7,928,160</u>	<u>14,530,534</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	27,186,144	25,382,754	52,568,898
Restricted:			
Debt service	-	1,567,559	1,567,559
Capital projects and equipment acquisition	6,684,923	-	6,684,923
Economic Development	477,460	-	477,460
Other purposes	95,318	52,865	148,183
Unrestricted	(3,411,383)	1,296,932	(2,114,451)
Total net assets (deficit)	<u>\$ 31,032,462</u>	<u>\$ 28,300,110</u>	<u>\$ 59,332,572</u>

The accompanying notes are an integral part of the financial statements.

City of Pineville

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

		Program Revenues			
		Charges for	Operating	Capital	Net
	Expenses	Services	Grants and	Grants &	(Expenses)
			Contributions	Contributions	Revenue
<u>Governmental Activities:</u>					
General Government					
Judicial	\$ 525,049	\$ -	\$ 98,580	\$ -	\$ (426,469)
Executive	327,333	-	-	-	(327,333)
Finance & Administrative	1,278,604	33,875	44,700	-	(1,200,029)
Public Safety					
Police Department	5,834,578	328,563	493,768	-	(5,012,247)
Fire Department	4,523,729	34,771	406,513	-	(4,082,445)
Public Works					
Administration	730,865	-	-	-	(730,865)
City Shop	245,998	-	-	-	(245,998)
Street Maintenance	1,272,085	13,150	-	1,409,649	150,714
Drainage Maintenance	648,010	234,468	-	-	(413,542)
Building Maintenance	390,095	58,353	-	-	(331,742)
Beautification	304,288	-	-	-	(304,288)
Health & Welfare (Impounding)	193,851	10,237	-	-	(183,614)
Culture & Recreation					-
Recreation Department	777,650	75,851	-	-	(701,799)
Community Centers	355,847	26,375	-	-	(329,472)
Special Events	198,018	-	125,000	-	(73,018)
Youth Center	109,604	-	-	-	(109,604)
Interest on Long-Term Debt	26,322	-	-	-	(26,322)
Total Governmental Activities	17,741,926	815,643	1,168,561	1,409,649	(14,348,073)
<u>Business-Type Activities:</u>					
Utility System	4,843,569	4,707,849	-	-	(135,720)
Sanitation	1,479,563	1,348,682	-	-	(130,881)
Airport	96,152	4,250	-	52,865	(39,037)
Total Business-Type Activities	6,419,284	6,060,781	-	52,865	(305,638)
Total	\$ 24,161,210	\$ 6,876,424	\$ 1,168,561	\$ 1,462,514	\$ (14,653,711)

The accompanying notes are an integral part of the financial statements.

City of Pineville

STATEMENT OF ACTIVITIES (Continued) **Year Ended June 30, 2012**

	Governmental Activities	Business- Type Activities	Total
Net (Expense) Revenue (Continued From Previous Page)	\$ (14,348,073)	\$ (305,638)	\$ (14,653,711)
<u>General Revenues:</u>			
Taxes:			
Ad Valorem	1,239,036	-	1,239,036
Sales	10,587,210	-	10,587,210
Licenses & Permits			
Franchise Fees	952,244	-	952,244
Occupational Licenses	588,616	-	588,616
Intergovernmental	317,457	-	317,457
Other	54,354	4,929	59,283
Transfers	469,565	(469,565)	-
Total General Revenues, Special Items and Transfers	14,208,482	(464,636)	13,743,846
Change in Net Assets	(139,591)	(770,274)	(909,865)
Net Assets Beginning	31,172,053	29,070,384	60,242,437
Net Assets Ending	\$ 31,032,462	\$ 28,300,110	\$ 59,332,572

The accompanying notes are an integral part of the financial statements.

City of Pineville

Balance Sheet

Governmental Funds - June 30, 2012

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 403,000	\$ -	\$ 4,308,619	\$ 665,562	\$ 5,377,181
Receivables (net)	702,464	298,599	509,379	62,212	1,572,654
Interfund Receivables	830,236	-	2,572,194	12,029	3,414,459
Restricted Cash	-	-	-	-	-
Other Assets	18,264	-	-	-	18,264
Total assets	\$ 1,953,964	\$ 298,599	\$ 7,390,192	\$ 739,803	\$ 10,382,558
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 641,636	\$ -	\$ 705,269	\$ 126,758	\$ 1,473,663
Interfund Payables	-	298,599	-	40,267	338,866
Total liabilities	641,636	298,599	705,269	167,025	1,812,529
Fund Balance					
Restricted For:					
Capital Improvements	-	-	6,684,923	-	6,684,923
Economic Development	-	-	-	477,460	477,460
Other Special Purposes	-	-	-	95,318	95,318
Unassigned	1,312,328	-	-	-	1,312,328
Total Fund Balances	1,312,328	-	6,684,923	572,778	8,570,029
Total Liabilities and Fund Balance	\$ 1,953,964	\$ 298,599	\$ 7,390,192	\$ 739,803	\$ 10,382,558

The accompanying notes are an integral part of the financial statements.

City of Pineville

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Year Ended June 30, 2012

Total Fund Balances - Governmental Funds	\$ 8,570,029
Amounts reported for governmental activities in the statement of net assets are different because:	
Liabilities not due and payable in the current period are excluded from the Governmental Fund Balance Sheet	(5,128,711)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>27,591,144</u>
Net Assets of Governmental Activities	<u>\$ 31,032,462</u>

The accompanying notes are an integral part of the financial statements.

City of Pineville

Statement of Revenues, Expenditures and Changes in Fund Balance ***Governmental Funds - Year Ended June 30, 2012***

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Ad Valorem	\$ 457,878	\$ -	\$ -	\$ 781,158	\$ 1,239,036
Sales	6,268,283	3,755,595	563,332	-	10,587,210
Licenses & Permits:					
Franchise Fees	952,244	-	-	-	952,244
Occupational Licenses	588,616	-	-	-	588,616
Other	15,842	-	-	-	15,842
Intergovernmental	1,106,963	-	1,443,079	381,537	2,931,579
Fines and Forfeitures	261,952	-	-	-	261,952
Other	314,969	-	240,824	498	556,291
Total Revenues	9,966,747	3,755,595	2,247,235	1,163,193	17,132,770
Expenditures:					
Current:					
General Government					
Judicial					
City Court	270,117	-	8,067	-	278,184
City Marshal	202,545	-	3,851	-	206,396
Executive	295,067	-	1,260	-	296,327
Finance & Administrative	1,205,975	-	6,748	-	1,212,723
Public Safety			-		
Police Department	5,074,865	-	129,924	10,329	5,215,118
Fire Department	4,014,005	-	36,436	-	4,050,441
Public Works			-		
Administration	686,878	-	13,752	-	700,630
City Shop	211,784	-	11,617	-	223,401
Street Maintenance	555,616	-	83,114	-	638,730
Drainage Maintenance	509,201	-	15,674	-	524,875
Building Maintenance	242,010	-	81,353	-	323,363
Beautification	259,130	-	15,644	-	274,774
Health & Welfare	161,806	-	7,871	10,028	179,705
Culture & Recreation			-		
Recreation Department	539,431	-	104,455	-	643,886
Community Centers	294,049	-	28,591	-	322,640
Special Events & Projects	67,435	-	578	130,570	198,583
Youth Center	97,060	-	12,409	-	109,469
Capital Expenditures	-	-	2,231,614	443,590	2,675,204
Debt Service	-	-	-	56,912	56,912
Total Expenditures	14,686,974	-	2,792,958	651,429	18,131,361
Excess (Deficiency) of Revenues Over Expenditures	(4,720,227)	3,755,595	(545,723)	511,764	(998,591)

The accompanying notes are an integral part of the financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds - Year Ended June 30, 2012**

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	(4,720,227)	3,755,595	(545,723)	511,764	(998,591)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	3,676,789	-	1,877,798	354,102	5,908,689
Operating Transfers Out	-	(3,755,595)	(784,537)	(898,992)	(5,439,124)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,043,438)	-	547,538	(33,126)	(529,026)
Fund Balance (Deficit) - Beginning of Year	2,355,766	-	6,137,385	605,904	9,099,055
Fund Balance (Deficit) - End of Year	<u>\$ 1,312,328</u>	<u>\$ -</u>	<u>\$ 6,684,923</u>	<u>\$ 572,778</u>	<u>\$ 8,570,029</u>

City of Pineville

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2012

Net change in fund balances of Governmental Funds	\$ (529,026)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the current period exceeded depreciation.	1,404,419
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds.	(1,044,984)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>30,000</u>
Change in net assets of governmental activities	<u>\$ (139,591)</u>

The accompanying notes are an integral part of the financial statements.

City of Pineville

Statement of Net Assets

Proprietary Funds - June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Utility System	Sanitation	Nonmajor Funds	Total
<u>ASSETS:</u>				
Current Assets:				
Cash and cash equivalents	\$ 4,881,963	\$ 18,849	\$ -	\$ 4,900,812
Receivables (net)	684,954	200,300	-	885,254
Interfund receivables	-	97,681	-	97,681
Total current assets	5,566,917	316,830	-	5,883,747
Restricted Assets:				
Cash and cash equivalents	2,131,386	-	-	2,131,386
Receivables	-	-	52,865	52,865
Noncurrent Assets:				
Construction in process	1,487,023	-	52,865	1,539,888
Depreciable capital assets, net	29,193,754	126,658	473,246	29,793,658
Total assets	38,379,080	443,488	578,976	39,401,544
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts and other payables	219,030	28,956	6,632	254,618
Interfund payables	3,151,293	-	21,981	3,173,274
Compensated absences	36,418	16,186	-	52,604
Deposits due others	403,771	-	-	403,771
Total current liabilities	3,810,512	45,142	28,613	3,884,267
Liabilities Payable From Restricted Assets:				
Accrued interest payable from restricted assets	38,827	-	-	38,827
Current portion of long-term debt	525,000	-	-	525,000
Noncurrent Liabilities:				
Other Post Employment Benefits	490,162	212,386	-	702,548
Long-term debt	5,950,792	-	-	5,950,792
Total liabilities	10,815,293	257,528	28,613	11,101,434
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	24,729,985	126,658	526,111	25,382,754
Restricted for debt service	1,567,559	-	-	1,567,559
Restricted for airport construction	-	-	52,865	52,865
Unrestricted	1,266,243	59,302	(28,613)	1,296,932
Total net assets (deficit)	\$ 27,563,787	\$ 185,960	\$ 550,363	\$ 28,300,110

The accompanying notes are an integral part of the financial statements.

City of Pineville

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds - June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Utility System	Sanitation	Nonmajor Funds	Total
<u>Operating Revenues:</u>				
Service Fees	\$ 4,473,576	\$ 1,310,023	\$ -	\$ 5,783,599
Other	234,273	38,659	4,250	277,182
Total Operating Revenues	4,707,849	1,348,682	4,250	6,060,781
<u>Operating Expenses:</u>				
Salaries	934,068	457,134	-	1,391,202
Contract Labor	9,871	110,691	-	120,562
Legal and Professional	68,803	3,850	3,386	76,039
Repairs & Maintenance	583,150	141,306	32,860	757,316
Supplies & Chemicals	423,180	118,645	-	541,825
Employee Benefits	509,893	237,254	-	747,147
Landfill Disposal Cost	-	323,986	-	323,986
Utilities	657,776	-	8,595	666,371
Permits and Testing	63,305	1,320	-	64,625
Depreciation	1,187,941	54,212	46,523	1,288,676
Bad Debts	43,465	30,000	-	73,465
Other	119,293	1,165	4,788	125,246
Total Operating Expenses	4,600,745	1,479,563	96,152	6,176,460
Operating Income (Loss)	107,104	(130,881)	(91,902)	(115,679)
<u>Nonoperating Revenues (Expenses):</u>				
Interest Revenue	4,929	-	-	4,929
Interest Expense	(242,824)	-	-	(242,824)
Change in Net Assets Before Contributions and Transfers	(130,791)	(130,881)	(91,902)	(353,574)
<u>Contributions and Transfers:</u>				
Capital Contributions	-	-	52,865	52,865
Operating Transfers In	329,240	39,465	61,730	430,435
Operating Transfers Out	(900,000)	-	-	(900,000)
Change in Net Assets	(701,551)	(91,416)	22,693	(770,274)
Total Net Assets - Beginning	28,265,338	277,376	527,670	29,070,384
Total Net Assets - Ending	\$ 27,563,787	\$ 185,960	\$ 550,363	\$ 28,300,110

The accompanying notes are an integral part of the financial statements.

City of Pineville

Statement of Cash Flows

Proprietary Funds - Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Utility System	Sanitation	Nonmajor Funds	Total
<u>Cash flow from operating activities:</u>				
Cash received from customers	\$ 4,803,384	\$ 1,367,422	\$ 4,250	\$ 6,175,056
Cash payments to suppliers of goods and services	(3,039,927)	(923,708)	(49,714)	(4,013,349)
Cash payments to employees for services	(940,726)	(457,631)	-	(1,398,357)
Net cash provided (used) by operating activities	822,731	(13,917)	(45,464)	763,350
<u>Cash flows from non-capital financing activities:</u>				
Change in interfund balances	(68,166)	(59,298)	20,965	(106,499)
Operating transfers in	329,240	39,465	61,730	430,435
Operating transfers out	(900,000)	-	-	(900,000)
Net cash provided (used) by non-capital financing activities	(638,926)	(19,833)	82,695	(576,064)
<u>Cash flows from capital and related financing activities:</u>				
Capital expenditures	(1,247,734)	(15,405)	(37,231)	(1,300,370)
Proceeds from issuing revenue bonds	1,099,222	-	-	1,099,222
Principle paid on revenue bonds	(345,000)	-	-	(345,000)
Interest paid on debt instruments	(242,824)	-	-	(242,824)
Net cash provided (used) by capital and related financing activities	(736,336)	(15,405)	(37,231)	(788,972)
<u>Cash flows from investing activities:</u>				
Interest and other income	4,929	-	-	4,929
Net cash provided (used) by investing activities	4,929	-	-	4,929
Net increase (decrease) in cash	(547,602)	(49,155)	-	(596,757)
Beginning cash balance	7,560,951	68,004	-	7,628,955
Ending cash balance	7,013,349	18,849	-	7,032,198
Restricted cash and cash equivalents	2,131,386	-	-	2,131,386
Cash and cash equivalents	\$ 4,881,963	\$ 18,849	\$ -	\$ 4,900,812

The accompanying notes are an integral part of the financial statements.

City of Pineville

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Utility	Nonmajor		Total
	System	Sanitation	Funds	
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ 107,104	\$ (130,881)	\$ (91,902)	\$ (115,679)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,187,941	54,212	46,523	1,288,676
(Increase) decrease in accounts receivable	88,025	18,740	-	106,765
(Decrease) increase in accounts and other payables	(685,674)	6,127	(85)	(679,632)
(Decrease) increase in compensated absences	(6,658)	(497)	-	(7,155)
(Decrease) increase in Other Post Employment Benefits	124,483	38,382	-	162,865
(Decrease) increase in meter deposits	<u>7,510</u>	<u>-</u>	<u>-</u>	<u>7,510</u>
Net cash provided (used) by operating activities	<u>\$ 822,731</u>	<u>\$ (13,917)</u>	<u>\$ (45,464)</u>	<u>\$ 763,350</u>

Supplemental disclosures of cash flow information:

During the year ended June 30, 2012 there were no operating, financing, or investing activities during the year that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

City of Pineville

Notes To Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pineville (the City) was incorporated under the provisions of the Lawrason Act. The City is governed by a Mayor and a Board of Alderman consisting of five (5) members. Services provided by the City include police protection, fire protection, street maintenance, drainage, recreation and sanitation. The City also operates a water distribution system, a sewer system and a municipal airport.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards establish criteria for determining which component units should be considered part of the City of Pineville for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the City to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the criteria presented above, the City has no component units. In reaching this conclusion, the operations of the City Court System were considered; however it was determined that the City Court System did not meet the necessary criteria for classification as a component unit. Component unit status does not apply because the City Court System is managed by elected officials and it functions in a fiscally independent manner.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board

City of Pineville

Notes To Financial Statements

June 30, 2012

(FASB) for business enterprises. However, the City only applies those FASB pronouncements that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The City's major funds are described as follows:

Major Governmental Funds

General Fund – The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Dedicated 1% Sales Tax – The sales tax fund is a special revenue fund used to account for the proceeds of a restricted 1% sales tax that is described in Note 5.

Capital Improvements – The capital improvement fund is a capital project fund that is used to account for a portion of sales tax proceeds that are restricted for capital expenditures and related debt service.

Major Business-Type Funds

Utility System – The utility fund is used to account for the operation of the City's water and sewer system, which are supported by user charges.

Sanitation – The sanitation fund is used to account for activity associated with collecting and disposing of garbage and trash. The operation of this fund is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water, sewer service and sanitation.

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

City of Pineville

Notes To Financial Statements

June 30, 2012

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Use Of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management *to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.*

Restricted Assets:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Budget Practices:

Budgets including any amendments are prepared in the manner prescribed by Louisiana revised statutes. City budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. Budgets are adopted annually for the general fund and each special revenue fund. The remaining funds are not required to adopt budgets.

Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City. As required by Governmental Accounting Standards, the City has retroactively capitalized infrastructure acquired by governmental funds since 1980. Infrastructure capitalized retroactively includes streets, sidewalks, bridges, and drainage improvements.

Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

City of Pineville

Notes To Financial Statements

June 30, 2012

Cash And Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Internal Activity:

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Compensated Absences

Full time and regular part-time employees earn vacation at rates that vary depending on length of service and civil service classification. Unused vacation that employees are allowed to carry forward is reported as a liability. The portion of the liability for compensated absences attributable to governmental funds and activities is typically liquidated by the general fund.

Fund Balance Classification:

Approval of the majority of the Board of Aldermen is required to approve the commitment of fund balances. In situations where it is permissible to spend restricted or committed resources, the Town typically depletes the available restricted or committed resources before consuming unrestricted resources.

Use Of Estimates:

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable for the year ended June 30, 2012 are summarized as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Accounts Receivable</u>			
Charges for Services	\$ ----	\$ 1,740,254	\$ 1,740,254
Franchise Taxes	102,907	----	102,907
Other	11,824	----	11,824
Total Accounts Receivable	114,731	1,740,254	1,854,985

City of Pineville

Notes To Financial Statements

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<u>Due From Other Governmental Units</u>			
Sales Taxes	841,683	----	841,683
Grant Reimbursement	526,802	52,865	579,667
Occupational Licenses	89,418	----	89,418
Other	20	----	20
Total Due From Other Governments	1,457,923	52,865	1,510,788
 Total Receivables	1,572,654	1,793,119	3,365,773
Allowance for Doubtful Accounts	----	(855,000)	(855,000)
 Net Receivables	1,572,654	938,119	2,510,773
Restricted Receivables	----	52,865	52,865
 Receivables (Net)	\$ 1,572,654	\$ 885,254	\$ 2,457,908

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2012, cash and cash equivalents included the following amounts:

	Governmental Activities	Business-Type Activities	Total
Cash Deposited in Banks	\$ 5,374,571	\$ 7,030,698	\$ 12,405,269
Petty Cash	2,610	1,500	4,110
 Total Cash	5,377,181	7,032,198	12,409,379
Restricted Cash	----	2,131,386	2,131,386
 Cash and Cash Equivalents	\$ 5,377,181	\$ 4,900,812	\$ 10,277,993

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2012, the City has \$12,405,269 in deposits (\$12,732,701 collected bank balance). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$13,556,886 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - LONG-TERM LIABILITIES

Debt attributable to the acquisition of the City's utility system and the operation of the utility system is reported as an obligation of the City's business-type enterprise funds. Remaining debts are reported as governmental activities. The City's debts are summarized as follows:

City of Pineville

Notes To Financial Statements

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Certificates of Indebtedness	\$ 405,000	\$ ----	\$ 405,000
Revenue Bonds	----	6,571,536	6,571,536
Total Obligations	405,000	6,571,536	6,976,536
Deferred Issue Cost	----	(95,744)	(95,744)
Total Long-term Debt	405,000	6,475,792	6,880,792
Due Within One Year	30,000	525,000	555,000
Due in More Than One Year	\$ 375,000	\$ 5,950,792	\$ 6,325,792

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Certificates of Indebtedness	\$ 435,000	\$ ----	\$ 30,000	\$ 405,000
Total Governmental Activities	435,000	----	30,000	405,000
<u>Business-Type Activities</u>				
Revenue Bonds	5,829,666	1,086,870	345,000	6,571,536
Total Business-Type Activities	5,829,666	1,086,870	345,000	6,571,536
Total Long-term Debts	\$ 6,264,666	\$ 1,086,870	\$ 375,000	\$ 6,976,536

Certificates of Indebtedness

The City has issued certificates which are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the City. Certificates of indebtedness outstanding at June 30, 2012 are described as follows:

\$650,000 Certificates of Indebtedness, Series 2001A bearing interest at a rates ranging from 4.10% to 6.75%. Principle is payable in annual installments ranging from \$20,000 to \$50,000, with the final installment due September 1, 2021. The certificates are callable for redemption at any time after September 1, 2009. \$ 405,000

Revenue Bonds

The City has issued revenue bonds that are secured by and payable solely from a pledge of funds generated by a specific revenue source. Revenue bonds outstanding at June 30, 2012 are described as follows:

\$5,680,000 Utility Revenue Bonds Series 2006, bearing interest at rates ranging from 4.0% to 5.0%. The bonds mature serially on May 1st of each year in amounts ranging from \$175,000 to \$470,000. Final maturity is scheduled for May 1, 2026, unless the City elects to redeem the bonds prior to maturity. Bonds become eligible for redemption on May 1, 2016. \$ 4,705,000

City of Pineville

Notes To Financial Statements

June 30, 2012

\$720,000 Utility Revenue Refunding Bonds Series 2004, bearing interest at rates ranging from 1.5% to 4.15% depending on the length of maturity. The bonds mature serially on May 1st of each year in amounts ranging from \$45,000 to \$70,000. Final maturity is scheduled for May 1, 2016, unless the City elects to redeem the bonds prior to maturity. Bonds become eligible for redemption on May 1, of 2013.

315,000

\$860,000 Utility Revenue Refunding Bonds, Series 2003 dated May 1, 2003 bearing interest at rates ranging from 1.8% to 4.85% depending on the length of maturity. The bonds mature serially on May 1 of each year in amounts ranging from \$55,000 to \$85,000. Final maturity is scheduled for May 1, 2016, unless the City elects to redeem the bonds prior to maturity. Bonds become eligible for redemption on May 1, 2013.

275,000

\$4,500,000 Utility Revenue Bonds Series 2010, bearing interest at a rate of 0.95%. The face value of the bonds is available to reimburse construction certain construction costs and as of June 30, 2012 \$1,276,536 has been collected. The bonds mature serially on May 1st of each year, and if the entire \$4,500,000 is utilized, the amounts will range from \$155,000 to \$250,000. Final maturity is scheduled for May 1, 2032, unless the City elects to redeem the bonds prior to maturity.

1,276,536

Total Revenue Bonds

\$ 6,571,536

Maturity of Long-term Debt

A schedule of maturities of long-term debt excluding compensated absences and capital leases is presented as follows:

<u>Year Ended June 30th</u>	<u>Principal Installments</u>			<u>Interest</u>
	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Total</u>	
<u>Governmental Activities</u>				
2013	\$ 30,000	\$ ----	\$ 30,000	\$ 25,143
2014	35,000	----	35,000	23,191
2015	35,000	----	35,000	21,048
2016	35,000	----	35,000	18,860
2017	40,000	----	40,000	16,478
2018 – 2022	230,000	----	230,000	39,961
Total Governmental	\$ 405,000	\$ ----	\$ 405,000	\$ 144,681

City of Pineville

Notes To Financial Statements

June 30, 2012

<u>Year Ended June 30th</u>	<u>Principal Installments</u>			<u>Interest</u>
	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Total</u>	
<u>Business-Type Activities</u>				
2012	\$ ----	\$ 525,000	\$ 525,000	\$ 231,507
2013	----	545,000	545,000	214,042
2014	----	565,000	565,000	194,597
2015	----	590,000	590,000	173,842
2016	----	535,000	535,000	154,447
2017 – 2021	----	2,076,536	2,076,536	562,169
2022 – 2026	----	1,735,000	1,735,000	178,200
Total Business-Type	\$ ----	\$ 6,571,536	\$ 6,571,536	\$ 1,708,804

NOTE 5 – TAXES:

Ad Valorem Taxes:

The City bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Rapides Parish. For the year ended June 30, 2012, the City has levied ad valorem taxes as follows:

<u>Description</u>	<u>Mills Levied</u>
Levied for general alimony as permitted by State Law. Revenue from taxes levied for general alimony is reported by the general fund.	5.85
Levied per proposition originally approved May 14, 1991 authorizing 10 mills for a period of 10 year beginning with 1991 and subsequently renewed through 2020 for the purpose of paying salaries of the employees of the fire and police departments. Due to the restricted nature of these taxes, the revenue is reported in a special revenue fund.	10.00
	15.85

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

Sales Taxes:

Sales taxes are collected by the Parish of Rapides and remitted to the City on a monthly basis. For the year ended June 30, 2012 the City has levied sales taxes as follows:

<u>Description</u>	<u>Percentage Levied</u>
Levied per proposition approved the citizens of Pineville authorizing a tax for the operation of the General Fund. Revenue generated by this tax is reported by the General fund.	1%

City of Pineville

Notes To Financial Statements

June 30, 2012

<u>Description</u>	<u>Percentage Levied</u>
<p>Levied per proposition approved by the citizens of Pineville authorizing a tax "with the avails or proceeds of said tax to be dedicated and pledged to the payment of principle and interest and other amounts required on any sales tax revenue bonds issued by the City for any lawful public purpose; provided, however, that the avails or proceeds of said tax not required in each month for principle, interest and other payments on any sales tax revenue bonds, shall be allocated in an amount equal to 50% of the proceeds of the tax for paying salaries of municipal employees of said City and the remaining proceeds of the tax for capital acquisitions for said City including equipment, furnishings and improvements to municipal property that may include but are not limited to streets, sidewalks, bridges, waterworks, sewers, drains and recreation and fire protection facilities. Since revenue from this source is subject to various restrictions, it is reported in a special revenue fund.</p>	1%
<p>Levied per proposition approved by the citizens of Pineville on July 16, 2006, authorizing a tax with 70% of the proceeds to be dedicated to salary and benefits, and 30% of the proceeds to be dedicated to capital improvement projects for the purpose of acquire, construction, improving, maintaining and operating public facilities, including water and sewer systems and street and drainage systems.</p>	0.5%

In addition to the taxes described above, the City is also entitled to receive a portion (5%) of a parish wide sales tax. Since the parish wide tax is unrestricted, its proceeds are reported as revenue by the general fund.

NOTE 6 – CAPITAL ASSETS

Changes in governmental and business-type capital assets are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Non Depreciable Capital Assets				
Land	\$ 1,755,518	\$ 14,000	\$ ----	\$ 1,769,518
Construction in Process	10,477,319	2,411,797	10,585,452	2,303,664
Total	12,232,837	2,425,797	10,585,452	4,073,182
Depreciable Capital Assets				
Buildings and Improvements	5,688,289	----	----	5,688,289
Furniture, Fixtures and Equipment	5,618,693	249,408	----	5,868,101
Infrastructure	12,555,792	10,585,452	----	23,141,244
Accumulated Depreciation	(9,908,887)	(1,270,785)	----	(11,179,672)
Total	13,953,887	9,564,075	----	23,517,962
Total Governmental Activities	\$ 26,186,724	\$ 11,989,872	\$ 10,585,452	\$ 27,591,144

City of Pineville

Notes To Financial Statements

June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-Type Activities				
Non Depreciable Capital Assets				
Utility Construction in Process	\$ 831,974	\$ 1,367,946	\$ 660,032	\$ 1,539,888
Depreciable Capital Assets				
Sanitation Equipment	910,915	15,405	----	926,320
Utility Equipment	668,366	----	----	668,366
Utility System	43,744,476	748,032	----	44,492,508
Airport Improvements	846,518	----	----	846,518
Accumulated Depreciation	(15,851,379)	(1,288,675)	----	(17,140,054)
Total	<u>30,318,896</u>	<u>(525,238)</u>	<u>----</u>	<u>29,793,658</u>
Total Business-Type Activities	<u>\$ 31,150,870</u>	<u>\$ 842,708</u>	<u>\$ 660,032</u>	<u>\$ 31,333,546</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Judicial	\$ 4,585	\$ ----	\$ 4,585
Executive	9,740	----	9,740
Finance & Administrative	11,935	----	11,935
Police Department	203,480	----	203,480
Fire Department	106,251	----	106,251
City Shop	3,681	----	3,681
Public Works Administration	6,783	----	6,783
Street Maintenance	615,436	----	615,436
Drainage Maintenance	107,410	----	107,410
Building Maintenance	40,296	----	40,296
Health & Welfare (Impounding)	764	----	764
Recreation Department	121,208	----	121,208
Community Centers	20,233	----	20,233
Beautification	18,983	----	18,983
Utility System	----	1,170,050	1,170,050
Sanitation	----	54,212	54,212
Airport	----	46,523	46,523
Total Depreciation Expense	<u>\$ 1,270,785</u>	<u>\$ 1,270,785</u>	<u>\$ 2,541,570</u>

NOTE 7 – ACCOUNTS AND OTHER PAYABLES

Details related to amounts reported as accounts and other payables are provided as follows:

City of Pineville

Notes To Financial Statements

June 30, 2012

	Governmental Activities			
	General Fund	Capital Improve-ments	Other	Total
Payable to Vendors	\$ 241,182	\$ 705,269	\$ 97,733	\$ 1,044,184
Accrued Wages	181,875	----	----	181,875
Economic Development Cooperative Endeavor (See Note 15)	126,323	----	----	126,323
Retainage Payable Under Contractual Arrangements	----	----	29,025	29,025
Other	92,256	----	----	92,256
Total	<u>\$ 641,636</u>	<u>\$ 705,269</u>	<u>\$ 126,758</u>	<u>\$ 1,473,663</u>
	Business-Type Activities			
	Utility System	Sanitation	Other	Total
Payable to Vendors	\$ 124,273	\$ 12,770	\$ 6,632	\$ 143,675
Retainage Payable Under Contractual Arrangements	61,173	----	----	61,173
Accrued Wages	23,510	16,186	----	39,696
Other	10,074	----	----	10,074
Total	<u>\$ 219,030</u>	<u>\$ 28,956</u>	<u>\$ 6,632</u>	<u>\$ 254,618</u>

NOTE 8- RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City insures against these risks by participation in public entity risk pools that operate as common insurance programs and by purchasing commercial insurance. Settled claims resulting from these risk have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 - RESTRICTED RESOURCES

The City's net assets are subject to restrictions described as follows:

- Bond covenants require the City to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants.
- Certain sales taxes proceeds are available only for capital projects and the acquisition of equipment.
- The State of Louisiana has provided funds subject to the requirement that these resources be used only to promote economic development.

NOTE 10 – PENSION PLANS:

Substantially all City employees are members of statewide retirement systems. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Information regarding each plan is presented as follows:

City of Pineville

Notes To Financial Statements

June 30, 2012

Municipal Employees' Retirement System of Louisiana:

Plan Description -The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City participating in the retirement system are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issued an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy - Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by State law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the system were equal to the required contributions for the year.

Firefighters' Retirement System of Louisiana

Plan Description - Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to $3\frac{1}{3}$ percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

The System issued an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy - Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by state statute. As proved by state law, the employer contributions are

City of Pineville

Notes To Financial Statements

June 30, 2012

determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the plan were equal to the required contributions for the year.

Municipal Police Employees' Retirement System of Louisiana

Plan Description - All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70800-2250, or by calling (225) 929-7411.

Funding Policy - Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City is established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the plan were equal to the required contributions for the year.

NOTE 11 – INTERNAL BALANCES

Details related to internal balances are presented as follows:

<u>Governmental Activities</u>	<u>Receivable (Payable)</u>	<u>Purpose</u>
General	\$ 680,936	Various funds deposit cash into a single bank account and money is disbursed from the account on behalf of these funds. This commingling of resources results in interfund receivables and payables.
Capital Improvements	2,422,895	
Non-major Governmental Funds	12,029	
Non-major Governmental Funds	(40,267)	
	<u>3,075,593</u>	
General	149,300	Restricted sales taxes receivable reported by the 1% Dedicated Sales Tax funds must be distributed to other funds upon receipt. Accordingly, interfund balances have been recorded
Capital Improvements	149,299	
1% Dedicated Sales Tax	(298,599)	
	<u>----</u>	
Total Governmental	<u>\$ 3,075,593</u>	

City of Pineville

Notes To Financial Statements

June 30, 2012

Business-Type Activities	Receivable (Payable)	Purpose
Utility	\$ (3,151,293)	Various funds deposit cash into a single bank account and money is disbursed from the account on behalf of these funds. This commingling of resources results in interfund receivables and payables.
Sanitation	97,681	
Non-major	(21,981)	
	<u>\$ (3,075,593)</u>	

NOTE 12 - TRANSFERS

In the ordinary course of business, the City routinely transfers resources between its funds for various reasons. A description of the transfers and the purpose for the transfers is presented as follows:

	General Fund	Dedicated 1% Sales Tax	Capital Improve- ments	Other	Total
Transfers In					
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	\$ 2,776,789	\$ ----	\$ 1,877,798	\$ 354,102	\$5,008,689
Transfer excess utility revenues to the general fund.	900,000	----	----	----	900,000
Total Transfers In	<u>3,676,789</u>	<u>----</u>	<u>1,877,798</u>	<u>354,102</u>	<u>5,908,689</u>
Transfers Out					
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	----	3,755,595	784,537	898,992	5,439,124
Net Transfers	<u>\$ 3,676,789</u>	<u>\$ (3,755,595)</u>	<u>\$ 1,093,261</u>	<u>\$ (544,890)</u>	<u>\$ 469,565</u>

	Business-Type Activities			
	Utility System	Sanitation	Other	Total
Transfers In				
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	\$ 329,240	\$ 39,465	\$ 61,730	\$ 430,435
Transfers Out				
Transfer excess utility revenues to the general fund.	900,000	----	----	900,000
Net Transfers	<u>\$ 214,357</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$(469,565)</u>

City of Pineville

Notes To Financial Statements

June 30, 2012

NOTE 13 – CONTINGENCIES:

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at June 30, 2012 are described as follows:

Litigation:

Like most governmental units with extensive and diverse operations, the City is occasionally named as a defendant in litigation. Based on consultation with City Attorney, the ultimate outcome of litigation that is pending or anticipated cannot be estimated at the present time; however, exposure to losses are expected to be limited to the deductible provisions of insurance policies.

Grant Compliance:

The City receives state and federal assistance through various grant programs. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

Economic Development Cooperative Endeavor:

As discussed in Note 15, the City is obligated to refund a portion of its sales tax receipts if certain criteria are met. At the present time, it has not been determined whether the applicable refund criteria will be met for the current year. However, in order to provide for the probability that the criteria will be met, a liability in the amount of \$126,323 has been recorded.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS:

Details regarding other post employment benefits that the City provides for its workforce are provided as follows:

Plan Description

The City of Pineville administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical benefits through the City's group health insurance plan which covers both active and retired members. Benefits under the plan are made available to employees upon actual retirement. The Plan does not issue a publicly available financial report. Plan participants are covered by one of three retirement systems listed as follows.

- The Municipal Employees' Retirement System of Louisiana
- The Firefighters' Retirement System of Louisiana
- The Municipal Police Retirement System of Louisiana.

The retirement eligibility (D.R.O.P. entry) provisions of these systems are similar and calculations have assumed a composite retirement (D.R.O.P. entry) eligibility as follows:

- 25 years of service at any age
- Age 60 and 15 years of service

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. Until July 1, 2008, the City of Pineville recognized the cost of providing post-employment medical benefits (the City of Pineville's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. For the year ended June 30, 2012, the City of Pineville's portion of health care funding cost for retired employees totaled \$90,603.

City of Pineville

Notes To Financial Statements

June 30, 2012

Annual Required Contribution

The City of Pineville's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with Governmental Accounting Standards Board (GASB) Pronouncements. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed) has been used for the post-employment benefits. The total ARC is \$1,226,473, as set forth below:

	Governmental Activities	Business-Type Activities	Total
Normal Cost	\$ 511,815	\$ 89,309	\$ 601,124
30-year UAL amortization amount	532,441	92,908	625,349
Annual required contribution (ARC)	\$ 1,044,256	\$ 182,217	\$ 1,226,473

Net Post Employment Benefit Obligation (Asset)

The table below shows the City of Pineville's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2012:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,044,256	\$ 182,217	\$ 1,226,473
Interest on Net OPEB Obligation	75,739	13,217	88,956
ARC Adjustment	(109,499)	(19,108)	(128,607)
OPEB Cost	1,010,496	176,326	1,186,822
Contribution	----	----	----
Current year retiree premium	(77,143)	(13,461)	(90,604)
Change in Net OPEB Obligation	933,353	162,865	1,096,218
Beginning Net OPEB Obligation	2,769,201	539,683	3,308,884
Ending Net OPEB Obligation	\$ 3,702,554	\$ 702,548	\$ 4,405,102

The following table shows the City of Pineville's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	June 30, 2010	\$1,203,565	7.2%	\$2,223,879
Medical	June 30, 2011	\$1,186,822	8.6%	\$3,308,884
Medical	June 30, 2012	\$1,186,822	7.6%	\$4,405,102

City of Pineville

Notes To Financial Statements

June 30, 2012

Funded Status and Funding Progress

In the fiscal year ending June 30, 2012, the City of Pineville made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of July 1, 2010, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$10,813,565, which is defined as that portion, as determined by a particular actuarial cost method (the City of Pineville uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2012, the entire actuarial accrued liability of \$10,813,565 was unfunded.

Actuarial Accrued Liability (AAL)	\$ 10,813,565
Actuarial Value of Plan Assets	----
Unfunded Act. Accrued Liability (UAAL)	\$ 10,813,565
Funded Ratio	0%
Covered Payroll (active plan members)	\$ 8,826,962
UAAL as a percentage of covered payroll	122.5%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Pineville and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Pineville and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Pineville and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

City of Pineville

Notes To Financial Statements

June 30, 2012

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 8%. The rates for each age are below:

Age	Percent Turnover
18 - 25	18.0%
26 - 40	10.0%
41 - 54	6.0%
55+	4.0%

Post employment Benefit Plan Eligibility Requirements

Based on past experience and retirement patterns, it has been assumed that entitlement to employer-paid retiree medical benefits will commence three years after D.R.O.P. entry, as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement. The employees are covered by one of three retirement systems: the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana, and the Municipal Police Retirement System of Louisiana. Entitlement to benefits continues through Medicare to death.

Investment Return Assumption (Discount Rate)

Generally Accepted Accounting Principles state that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual discount rate has been used in this valuation. This discount rate is consistent with the City's typical borrowing cost.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rate, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since Generally Accepted Accounting Principles require the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a portion of the retiree and dependent coverage, but it is based on the blended rate (active and retiree) before age 65 Medicare eligibility. Since Generally Accepted Accounting Principles require the use of unblended rates, we have "unblended" the rates before age 65 by assuming the unblended rate for retirees is 130% of the total blended rate. The employer portion is thus the unblended total rate less the portion paid by the retiree.

City of Pineville

Notes To Financial Statements

June 30, 2012

NOTE 15 – ECONOMIC DEVELOPMENT

In order to enhance the local economy, the City has entered into a cooperative endeavor agreement with a major retailer. Under the terms of this arrangement, the retailer has established a facility in the City of Pineville. In exchange for the benefits accruing to the City as a result of the facility, the City has agreed to reimburse a portion of the sales taxes generated by the facility; however, reimbursements are required only if certain conditions are fulfilled. The potential reimbursement is limited to forty percent (40%) of the sales taxes generated by the facility over a period of ten (10) years. Furthermore, the total amount that may be reimbursed under this arrangement is limited to \$2,000,000, with installments scheduled to begin 13 months after the opening of the facility.

NOTE 16 – ON BEHALF PAYMENTS

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures in connection with State Supplemental Pay are presented as follows:

Police Department	\$ 344,000
Fire Department	324,232
<hr/>	
Total	\$ 668,232

City of Pineville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<u>Revenues:</u>				
Taxes:				
Ad Valorem	\$ 451,400	\$ 457,830	\$ 457,878	\$ 48
Sales	5,907,630	6,265,795	6,268,283	2,488
Licenses & Permits:				
Franchise Fees	954,000	958,648	952,244	(6,404)
Occupational Licenses	550,000	660,160	588,616	(71,544)
Other	16,000	13,125	15,842	2,717
Intergovernmental	1,037,774	1,070,768	1,106,963	36,195
Fines and Forfeitures	285,000	281,800	261,952	(19,848)
Other	331,300	497,657	314,969	(182,688)
Total revenues	<u>9,533,104</u>	<u>10,205,783</u>	<u>9,966,747</u>	<u>(239,036)</u>
<u>General Government:</u>				
Current:				
General Government				
Judicial				
City Court	249,600	266,485	270,117	(3,632)
City Marshal	203,200	211,786	202,545	9,241
Executive	270,700	288,294	295,067	(6,773)
Finance & Administrative	1,105,500	1,128,907	1,205,975	(77,068)
Public Safety				
Police Department	4,769,200	4,970,199	5,074,865	(104,666)
Fire Department	3,818,200	4,032,326	4,014,005	18,321
Public Works				
Administration	741,500	677,534	686,878	(9,344)
City Shop	223,000	214,885	211,784	3,101
Street Maintenance	548,100	543,033	555,616	(12,583)
Drainage Maintenance	413,200	487,884	509,201	(21,317)
Beautification	224,600	224,277	242,010	(17,733)
Building Maintenance	293,000	242,350	259,130	(16,780)
Health & Welfare (Impounding)	154,000	159,159	161,806	(2,647)
Culture & Recreation				
Recreation Department	310,800	504,442	539,431	(34,989)
Community Centers	267,300	290,567	294,049	(3,482)
Special Events	58,300	61,150	67,435	(6,285)
Youth Center	43,800	81,854	97,060	(15,206)
Debt Service	59,912	62,512	-	62,512
Total expenditures	<u>13,753,912</u>	<u>14,447,644</u>	<u>14,686,974</u>	<u>(239,330)</u>

City of Pineville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Budget and Actual - Year Ended June 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Excess (Deficiency) of				
Revenues Over Expenditures	(4,220,808)	(4,241,861)	(4,720,227)	(478,366)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	3,245,725	3,770,760	3,676,789	(93,971)
Operating Transfers Out	(160,000)	-	-	-
Excess (Deficiency) of				
Revenues and Other Sources				
Over Expenditures and Other				
Uses	(1,135,083)	(471,101)	(1,043,438)	(572,337)
Fund Balance (Deficit) -				
Beginning of Year	2,355,766	2,355,766	2,355,766	-
Fund Balance (Deficit) -				
End of Year	<u>\$ 1,220,683</u>	<u>\$ 1,884,665</u>	<u>\$ 1,312,328</u>	<u>\$ (572,337)</u>

City of Pineville

Dedicated 1% Sales Tax Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues:</u>				
Sales Taxes	\$ 3,497,700	\$ 3,641,841	\$ 3,644,547	\$ 2,706
Other	-	-	-	-
Total revenues	<u>3,497,700</u>	<u>3,641,841</u>	<u>3,644,547</u>	<u>2,706</u>
<u>General Government:</u>				
Current	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of				
Revenues Over Expenditures	3,497,700	3,641,841	3,644,547	2,706
<u>Other Financing Sources (Uses):</u>				
Operating Transfers Out	<u>(3,497,700)</u>	<u>(3,641,842)</u>	<u>(3,644,547)</u>	<u>(2,705)</u>
Excess (Deficiency) of				
Revenues and Other Sources				
Over Expenditures and Other				
Uses	-	(1)	-	1
Fund Balance (Deficit) -				
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit) -				
End of Year	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

City of Pineville

Schedule of Funding Progress Retiree Healthcare Plan

	Actuarial Valuation Date July 1, 2008	Actuarial Valuation Date July 1, 2010
Actuarial Value of Assets	\$ -	\$ -
Actuarial Accrued Liability	\$ 10,134,525	\$ 10,813,565
Unfunded Actuarial Accrued Liability	\$ 10,134,525	\$ 10,813,565
Funded Ratio	0.00%	0.00%
Covered Payroll	\$ 8,413,651	\$ 9,065,299
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	120.5%	119.3%

Supplemental Disclosures:

At June 30, 2012, management was not aware of any factors expected to significantly affect the identification of trends in the amounts reported

City of Pineville

Combining Balance Sheet Non Major Governmental Funds June 30, 2012

	Economic Development Projects	Dedicated 10 Mill Ad Valorem Tax	Cemetery Fund	Series 2001 A	Susek Drive Improvements	Asset Forfeiture	LCDBG	Total Non Major Funds
Assets								
Cash and Cash Equivalents	\$ 493,358	\$ 5,891	\$ 83,470	\$ -	\$ -	\$ -	\$ 82,843	\$ 665,562
Receivables (net)	-	-	-	-	24,347	-	37,865	62,212
Interfund Receivables	-	-	-	-	-	6,747	5,282	12,029
Restricted cash	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
Total assets	\$ 493,358	\$ 5,891	\$ 83,470	\$ -	\$ 24,347	\$ 6,747	\$ 125,990	\$ 739,803
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 768	\$ 125,990	126,758
Interfund Payables	15,898	-	22	-	24,347	-	-	40,267
Total liabilities	15,898	-	22	-	24,347	768	125,990	167,025
Fund Balance								
Restricted For:								
Economic Development	477,460	-	-	-	-	-	-	477,460
Other Special Purposes	-	5,891	83,448	-	-	5,979	-	95,318
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	477,460	5,891	83,448	-	-	5,979	-	572,778
Total Liabilities and Fund Balance	\$ 493,358	\$ 5,891	\$ 83,470	\$ -	\$ 24,347	\$ 6,747	\$ 125,990	\$ 739,803

City of Pineville

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non Major Governmental Funds - Year Ended June 30, 2012

	Economic Development Projects	Dedicated 10 Mill Ad Valorem Tax	Cemetery Fund	Series 2001 A	Susek Drive Improvements	Asset Forfeiture	LCDBG	Total Non Major Funds
Revenues:								
Ad Valorem Taxes	\$ -	\$ 781,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 781,158
Intergovernmental	125,000	-	-	-	24,347	-	232,190	381,537
Other	312	112	74	-	-	-	-	498
Total Revenues	125,312	781,270	74	-	24,347	-	232,190	1,163,193
Expenditures:								
Current:								
Public Safety								
Police Department	-	-	-	-	-	10,329	-	10,329
Health & Welfare	-	-	10,028	-	-	-	-	10,028
Culture & Recreation								
Special Events & Projects	130,570	-	-	-	-	-	-	130,570
Capital Expenditures	-	-	-	-	140,967	-	302,623	443,590
Debt Service	-	-	-	56,912	-	-	-	56,912
Total Expenditures	130,570	-	10,028	56,912	140,967	10,329	302,623	651,429
Excess (Deficiency) of								
Revenues Over Expenditures	(5,258)	781,270	(9,954)	(56,912)	(116,620)	(10,329)	(70,433)	511,764
Other Financing Sources (Uses):								
Operating Transfers In	-	-	-	155,826	127,843	-	70,433	354,102
Operating Transfers Out	-	(898,992)	-	-	-	-	-	(898,992)
Excess (Deficiency) of								
Revenues and Other Sources								
Over Expenditures and Other								
Uses	(5,258)	(117,722)	(9,954)	98,914	11,223	(10,329)	-	(33,126)
Fund Balance (Deficit)								
Beginning of Year	482,718	123,613	93,402	(98,914)	(11,223)	16,308	-	605,904
End of Year	\$ 477,460	\$ 5,891	\$ 83,448	\$ -	\$ -	\$ 5,979	\$ -	\$ 572,778

CITY OF PINEVILLE

Schedule of Compensation Paid to Board Members For the year ended June 30, 2012

Carol Van Mol	\$ 8,400
Clarence Fields	71,401
Mary Galloway	8,400
Kevin Dorn	8,400
Nathan Martin	8,400
Tom Bouchie	8,400
	<hr/>
Total Compensation	<u><u>\$ 113,401</u></u>

CITY OF PINEVILLE

Summary of Findings and Questioned Cost June 30, 2012

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditor's Report on the financial statements for the City of Pineville as of June 30, 2012 and for the year then ended expressed an unqualified opinion.
- No deficiencies in internal control were reported in connection with the audit.
- No instances of noncompliance material to the financial statements of the City of Pineville were disclosed during the audit.
- No deficiencies in internal control over major federal award programs were disclosed during the audit. Accordingly, there were no material weaknesses applicable to major federal award programs.
- The Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, expressed an unqualified opinion on compliance for major programs.
- The audit did not disclose any audit findings which are required to be reported as findings and questioned cost in connection with Federal Programs.
- Major programs for the year ended June 30, 2012 are presented as follows:

Department of Transportation

CFDA No. 66.458 ARRA – Capitalization Grants for Clean Water State Revolving Funds

CFDA No. 20.205 ARRA – Highway Planning and Construction

- A threshold of \$300,000 was used for distinguishing between Type A and Type B programs for purposes of identifying major programs.
- The City of Pineville was not considered to be a low risk auditee as defined by the OMB Circular A-133

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

None

CITY OF PINEVILLE

Management's Corrective Action Plan

June 30, 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u> <u>No Findings of this nature.</u>	<u>RESPONSE</u> <u>No response necessary</u>
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>FINDINGS</u> <u>No Findings of this nature.</u>	<u>RESPONSE</u> <u>No response necessary</u>
SECTION III MANAGEMENT LETTER	
<u>FINDINGS</u> <u>No Findings of this nature.</u>	<u>RESPONSE</u> <u>No response necessary</u>

CITY OF PINEVILLE

Summary of Prior Year Findings and Questioned Cost June 30, 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u> <u>No Findings of this nature.</u>	<u>RESPONSE</u> <u>No response necessary</u>
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>FINDINGS</u> <u>No Findings of this nature.</u>	<u>RESPONSE</u> <u>No response necessary</u>
SECTION III MANAGEMENT LETTER	
<u>FINDINGS</u> <u>No Findings of this nature.</u>	<u>RESPONSE</u> <u>No response necessary</u>

ROZIER, HARRINGTON & MCKAY

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RETIRED - 2005

December 14, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Pineville
Pineville Louisiana

COMPLIANCE

We have audited the City of Pineville's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City's compliance with those requirements.

In our opinion, the City of Pineville, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect

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and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

City of Pineville

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Expenditures
Department Housing and Urban Development		
Passed Through Louisiana Division of Administration		
Community Development Block Grant	14.228	24,800
ARRA - Community Development Block Grant	14.255	207,390
Total Department of Housing and Urban Development		<u>232,190</u>
Environmental Protection Agency		
Passed Through Louisiana Department of Environmental Quality		
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	1,086,870
Total Environmental Protection Agency		<u>1,086,870</u>
Department of Energy		
Passed Through the Rapides Parish Police Jury		
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	190,562
Total Department of Energy		<u>190,562</u>
Department of Transportation		
Passed Through the Louisiana Dept. of Transportation and Development		
ARRA - Highway Planning and Construction	20.205	1,177,459
Total Department of Transportation		<u>1,177,459</u>
Total Federal Awards		<u>\$ 2,687,081</u>

Note

The schedule of expenditures of federal awards was prepared in conformity with generally accepted accounting principles. See Note 1 of the accompanying financial statements for further details.